
Department of Public Safety and Correctional Services Fiscal 2013 Budget Overview

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

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For further information contact: Rebecca J. Ruff

Phone: (410) 946-5530

Analysis of the FY 2013 Maryland Executive Budget, 2012

Analysis in Brief

Recommended Actions

1. Adopt committee narrative requesting the Department of Public Safety and Correctional Services to provide data resulting from its new plan for increasing the number of offenders paroled annually.
2. Adopt committee narrative requesting the Department of Public Safety and Correctional Services to report on its evaluation of programming needs and resources.
3. Adopt committee narrative requesting the Department of Public Safety and Correctional Services to develop a request for information and provide a report on Social Impact Bonds.

Q00
Department of Public Safety and Correctional Services
Fiscal 2013 Budget Overview

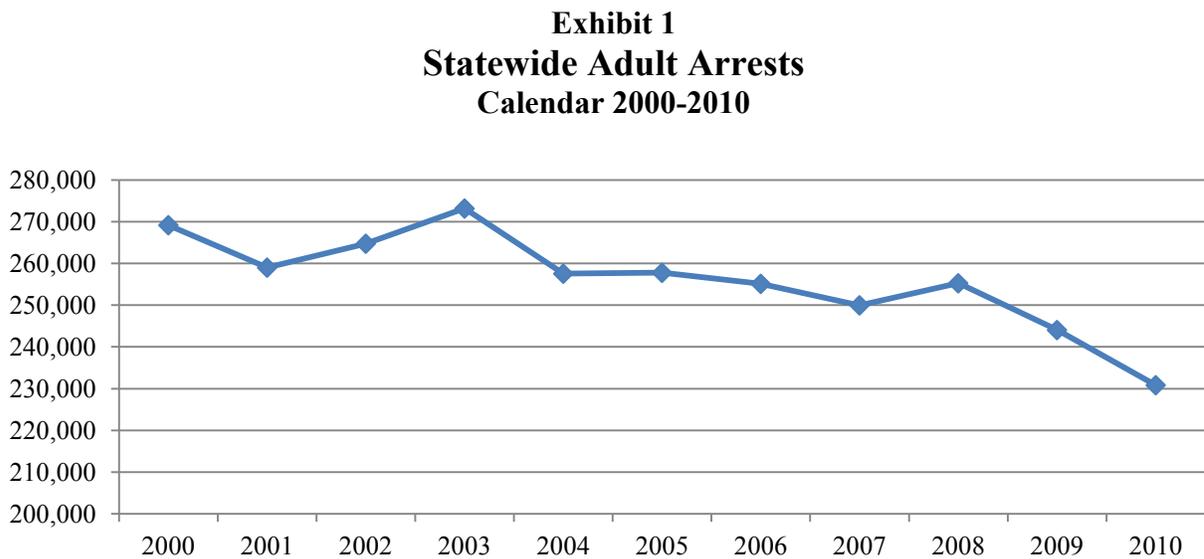
Agency Description

The Department of Public Safety and Correctional Services (DPSCS) helps to keep Maryland communities safe and provides services to the victims of crime. The department strives to ensure the safety, security, and well-being of defendants and offenders under its supervision and to provide criminal justice agencies with access to timely, accurate information about defendants and offenders.

Criminal Justice Caseload Trends

The criminal justice system as a whole grew considerably from 1991 to 2003, largely the result of significant policy changes implemented in the 1980s. In the past decade, crime trends shifted downward, providing stabilization in Maryland’s incarcerated offender population. Crime rates have declined more dramatically in the past three years, which has allowed for some reduction in the department’s criminal justice caseloads.

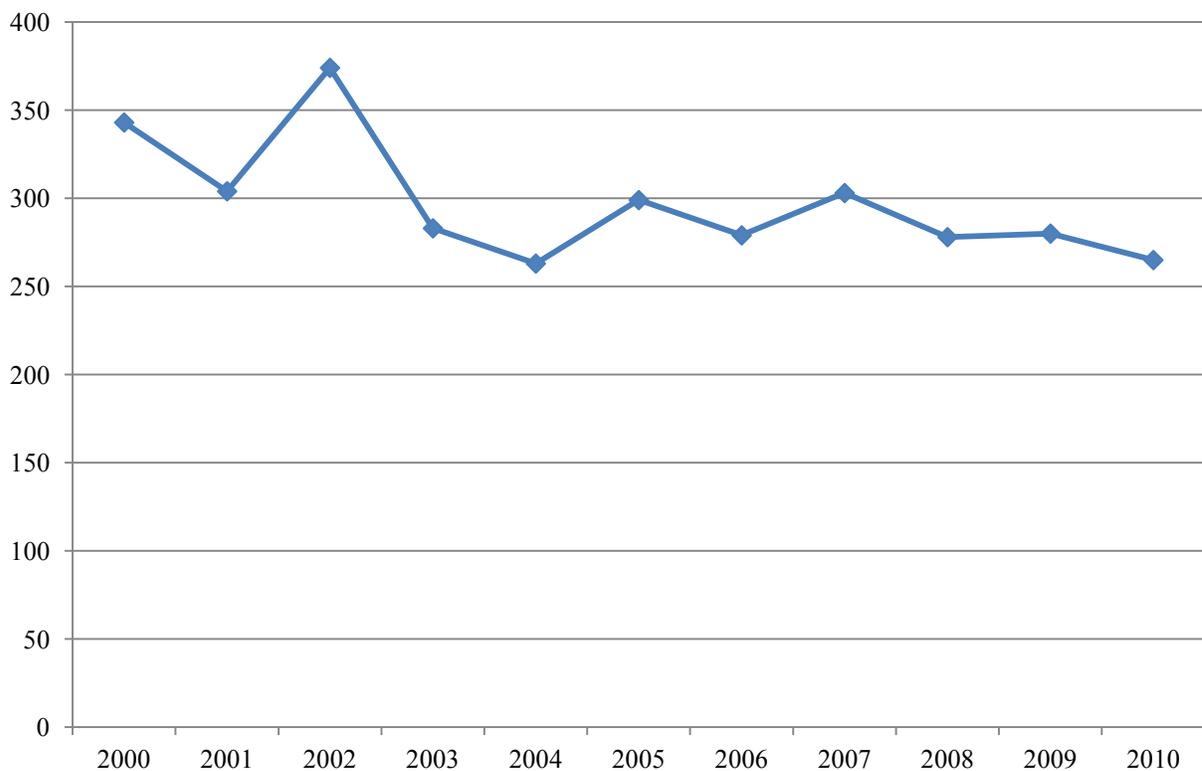
Exhibit 1 provides statewide adult arrest data from calendar 2000 to 2010. Adult arrests account for 85.2% of arrests in Maryland. In calendar 2010, approximately 231,000 adults were arrested, a 5.4% decrease compared to calendar 2009. Calendar 2010 had approximately 42,000, or 15.5%, fewer arrests than the most recent peak of 273,000 arrests in 2003.



Source: Department of Legislative Services; *Uniform Crime Report*

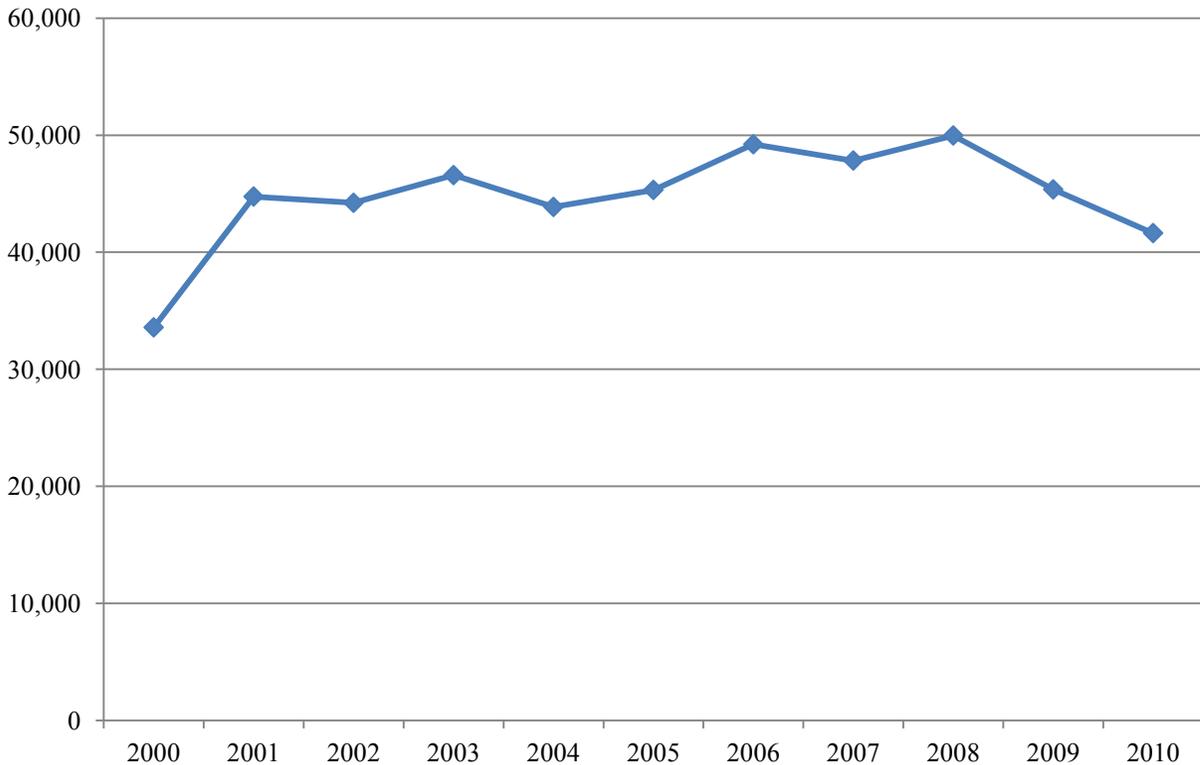
Exhibits 2 and 3 show statewide arrest data for murder/non-negligent manslaughter and drug abuse law violations. Arrests for murder have largely been on a downward trend for the past decade since peaking at 374 in calendar 2002. Calendar 2010 saw 265 arrests for murder, an 8.2% decline from calendar 2009. According to the Governor’s Office of Crime Control and Prevention, the 426 homicides in calendar 2010 was the lowest number of homicides since calendar 1986. Arrests for murder account for less than half of a percent of all arrests in calendar 2010. Arrests for drug abuse violations, however, account for 18.0% of all arrests in calendar 2010. At nearly 42,000 arrests, it is the largest singular offense category, followed by assault arrests, which totaled 22,000 in calendar 2010. Drug-related arrests have also been declining, although this downward trend has only been in place since calendar 2008. Calendar 2000 to 2008 saw a 6.1% increase in drug abuse arrests. Since calendar 2008, however, drug arrests have declined by 8,000, or 16.7%.

Exhibit 2
Statewide Murder/Non-negligent Manslaughter Arrests
Calendar 2000-2010



Source: Department of Legislative Services; *Uniform Crime Report*

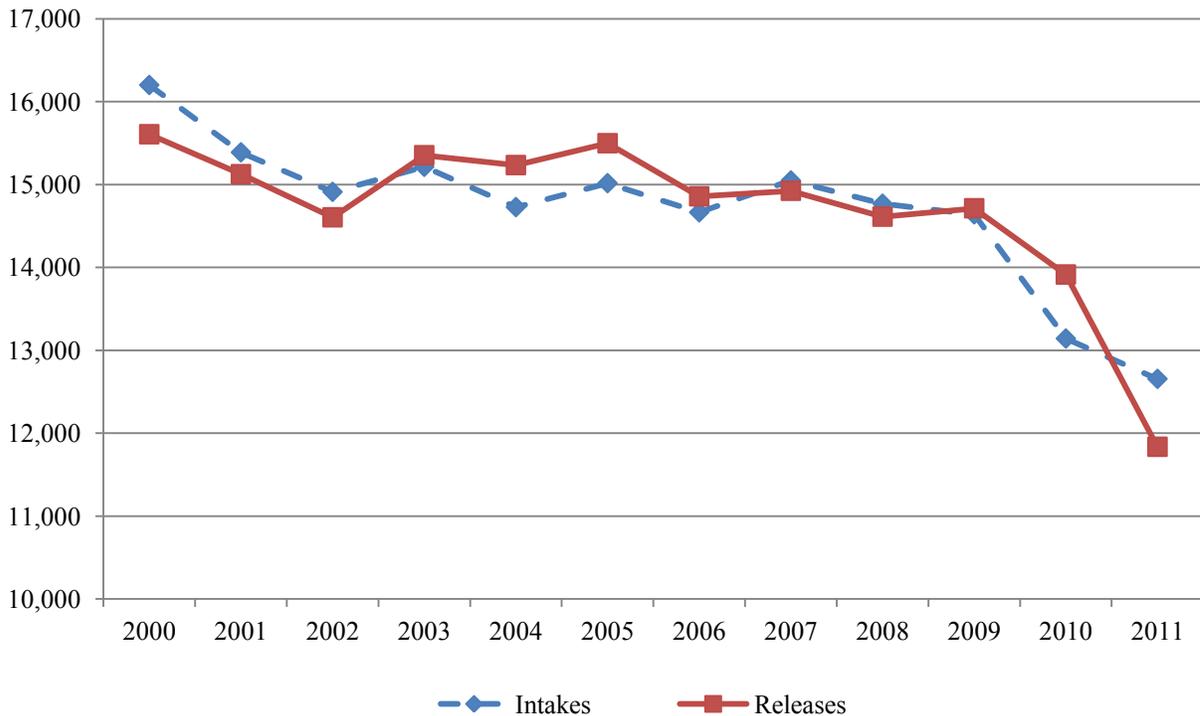
Exhibit 3
Statewide Drug Abuse Arrests
Calendar 2000-2010



Source: Department of Legislative Services; *Uniform Crime Report*

The decline in arrests has a direct impact on the populations managed by DPSCS. **Exhibit 4** shows the number of offender intakes and releases from the Division of Correction (DOC) between fiscal 2000 and 2011. As a whole, both the number of intakes and releases has been on the decline since fiscal 2000, when the division received approximately 16,200 inmates and released 15,600. Since then, intakes and releases have declined by 21.9 and 24.2%, respectively. The most significant decreases have occurred in the past two fiscal years, when intakes decreased by 13.6% to approximately 12,600 in fiscal 2011 and releases declined by 19.6% to 11,800 offenders released in one fiscal year. When the number of offenders released annually exceeds the number of offenders brought into the DOC system, the prison population is more likely to decline or at least slow its rate of growth; when intakes exceed releases, the prison population is more likely to rise. Releases exceeded intakes in 6 of the past 10 fiscal years, although slightly more inmates were received by DOC than were released in fiscal 2011.

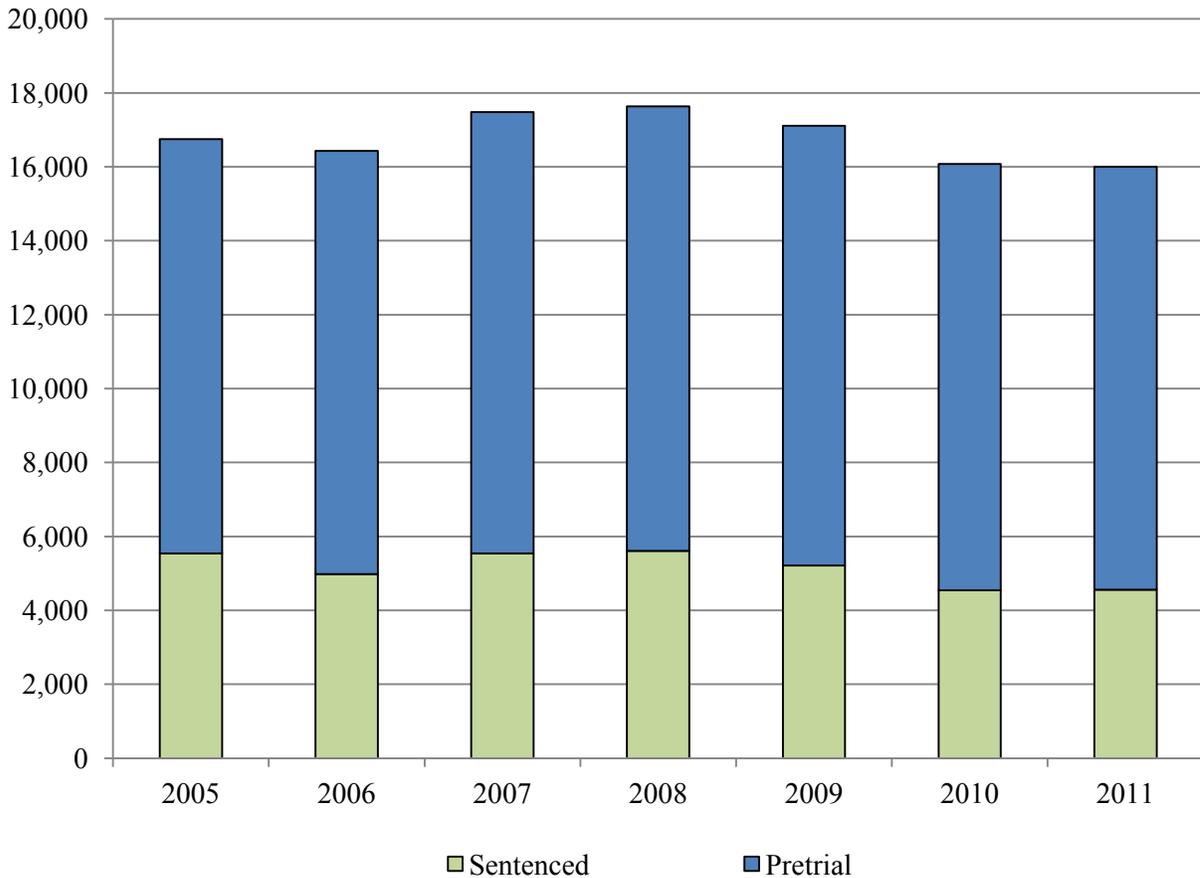
Exhibit 4
Division of Correction
Intakes vs. Releases
Fiscal 2000-2011



Source: Department of Public Safety and Correctional Services

The impact of fewer arrests and increased prison releases can be seen in **Exhibit 5**, which shows the average daily population (ADP) for offenders held in local jails and detention centers. This data includes offenders in the Baltimore City local jail population, which was assumed by the State in 1991. All pre-trial detention and short-term incarceration functions are provided by the Division of Pretrial Detention and Services (DPDS) within DPSCS. Except in Baltimore City, offenders are held in local detention centers if they are detained while awaiting trial, or if they are sentenced to a term of 12 months or less. Offenders sentenced between 12 and 18 months can also be confined in local detention centers or sentenced to the State’s DOC, at the judge’s discretion. As seen in the exhibit, the local jail population grew considerably, by approximately 2,200 inmates, between fiscal 2001 and its peak in fiscal 2007. Nearly 80.0% of this growth is attributed to increases in ADP at the county detention centers. Since fiscal 2007, local jail ADP has decreased by 9.1% to a population of 12,460 inmates. Again, approximately 86.7% of the decline is attributable to a reduction in the number of offenders held in county detention centers.

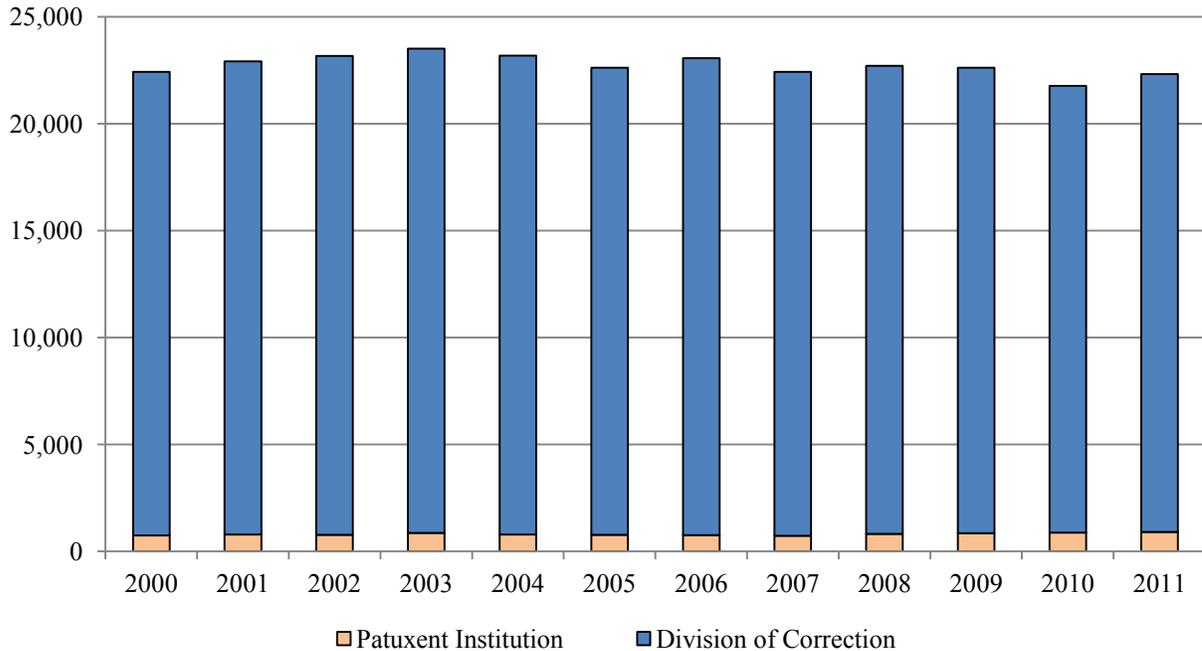
Exhibit 5
Local Jail Average Daily Population
Fiscal 2005-2011



Source: Local jail statistics furnished to the Department of Public Safety and Correctional Services by county detention centers

Exhibit 6 reflects a similar, but less dramatic, decline for the inmate population housed in State prison facilities. Between fiscal 2000 and 2003, the prison ADP grew by nearly 1,100 inmates, or 4.9%. Over the next eight fiscal years, the ADP embarked on an overall decline of 7.9% to its most recent low of 21,772 inmates in fiscal 2010. The downward trend ceased in fiscal 2011, as ADP rose by 2.5%, or 551 inmates, which is consistent with the data displayed in Exhibit 4, which showed intakes exceeding releases for the first time in three fiscal years. According to the department’s population estimates, growth in the population is anticipated to continue in fiscal 2012.

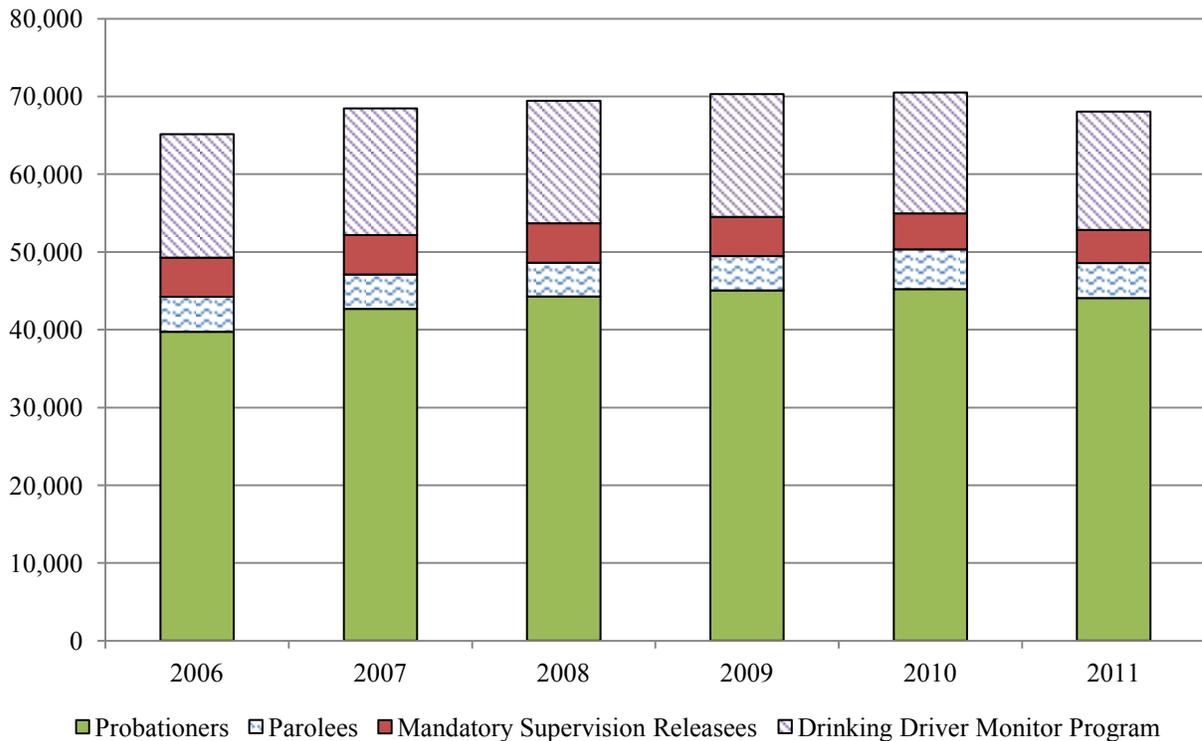
Exhibit 6
Department of Public Safety and Correctional Services
Average Daily Population – State Prison Facilities
Fiscal 2000-2011



Source: Department of Public Safety and Correctional Services

As the prison population has decreased in recent years, the population of offenders under community supervision by the Division of Parole and Probation (DPP) has increased. **Exhibit 7** shows the number of offenders with active cases under supervision from fiscal 2006 through 2011 by the following types of supervision: probation, parole, mandatory release, and the Drinking Driver Monitor Program (DDMP). Between fiscal 2006 and 2010, the total number of offenders with active cases increased by approximately 2,900, or 4.5%. The majority of the growth was among probationers, increasing by 13.9% over the five-year period, followed closely by the parolee population, which increased by 12.5%. The mandatory supervision releasee and DDMP participant populations actually declined during the same time period, falling by 7.4 and 1.9%, respectively. In fiscal 2011, the population increase ceased, as the total number of offenders under supervision fell by 3.5% in one fiscal year. The paroled offender population saw the most dramatic decline, with a 12.1% reduction between fiscal 2010 and 2011. The mandatory supervision population also saw a 7.9% decrease. According to the department’s caseload projections, the decline in community supervision cases is expected to continue in fiscal 2012.

Exhibit 7
Division of Parole and Probation
Offenders with Active Cases under Supervision
Fiscal 2006-2011



Source: Department of Public Safety and Correctional Services

Fiscal 2012

Deficiencies

There are three deficiency appropriations which add \$9.1 million in general funds and \$2.1 million in federal pay-as-you-go (PAYGO) funding to the fiscal 2012 working appropriation. The deficiencies provide funding as follows:

- \$8,000,000 in general funds for DOC employee overtime expenses. The fiscal 2012 working appropriation for DOC employee overtime is approximately \$725,000 above the legislative appropriation, but \$3.1 million below fiscal 2011 actual expenditures. The fiscal 2012

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deficiency appropriation increases overtime funding to \$29.7 million. Based on year-to-date fiscal 2012 expenditures, DOC employee overtime expenses are projected to total approximately \$31.8 million. Accounting for the deficiency appropriation, the fiscal 2013 allowance for employee overtime is \$5.0 million below fiscal 2012.

- \$1,066,177 in general funds for DOC fuel and utility expenses. The fiscal 2012 working appropriation for DOC fuel and utilities is approximately \$1.7 million below fiscal 2011 actual spending. The fiscal 2012 deficiency appropriation increases fuel and utilities funding in fiscal 2012 to \$43.6 million, which is still nearly \$650,000 below fiscal 2011. The fiscal 2013 allowance includes \$42.4 million for fuel and utilities, approximately \$1.2 million below fiscal 2012 including the deficiency appropriation.
- \$2.1 million in federal PAYGO funding is provided to support the continued construction of the Dorsey Run Correctional Facility (DRCF) within the Jessup Correctional Complex in Anne Arundel County. An additional \$7.9 million is provided in the fiscal 2013 allowance. This funding is provided as part of an agreement with the U.S. Marshal to operate the Maryland Correctional Adjustment Center (MCAC) in Baltimore City solely as a federal detention center in exchange for operating funds and \$20.0 million in federal funding to be used toward the construction of DRCF, a new 1,120 bed minimum security facility. The initial \$10.0 million appropriation was provided in fiscal 2010. The \$2.1 million included in the fiscal 2012 deficiency allows the department to avoid project delays as construction moves forward, as all previously appropriated funds have been encumbered.

Position Reductions

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 positions as of January 1, 2012. The department's share of the reduction was 116 positions. The annualized salary savings due to the abolition of these positions is expected to be approximately \$4.2 million in general funds and \$171,000 in special funds.

Fiscal 2013

Budget Overview

Exhibit 8 provides an overview of the fiscal 2013 allowance by agency as compared to the fiscal 2012 working appropriation. In total, the allowance is nearly \$1.3 billion, which is growth of approximately 1.5% over the working appropriation, accounting for the \$9.1 million in fiscal 2012 general fund deficiencies. Absent the deficiency appropriations, the department's fiscal 2013 allowance reflects growth of approximately \$27.8 million, or 2.2%.

Exhibit 8
Department of Public Safety and Correctional Services Overview
Total Funds by Program
Fiscal 2012-2013
(\$ in Thousands)

	Working Approp. <u>2012</u>	Deficiency Approp. <u>2012</u>	Revised Working Approp. <u>2012</u>	Allowance <u>2013</u>	\$ Change <u>2012-13</u>	% Change <u>2012-13</u>
Operating Programs						
Office of the Secretary	\$127,707		\$127,707	\$136,482	\$8,775	6.9%
Division of Correction	802,289	\$9,066	811,355	822,755	11,400	1.4%
Parole Commission	4,876		4,876	5,147	271	5.6%
Division of Parole and Probation	104,353		104,353	103,983	-370	-0.4%
Patuxent Institution	46,632		46,632	47,672	1,040	2.2%
Inmate Grievance Office	991		991	889	-102	-10.3%
Police/Correctional Training Commissions	9,271		9,271	8,927	-344	-3.7%
Criminal Injuries Compensation Board	6,244		6,244	5,762	-482	-7.7%
MD Commission on Correctional Standards.	561		561	537	-24	-4.1%
Division of Pretrial Detention & Services	146,949		146,949	145,501	-1,448	-1.0%
Total	\$1,249,872	\$9,066	\$1,258,939	\$1,277,655	\$18,716	1.5%
Funds						
General Fund	\$1,070,604	\$9,066	\$1,079,671	\$1,091,189	\$11,518	1.1%
Special Fund	142,120		142,120	150,500	8,380	5.9%
Federal Fund	29,085		29,085	28,589	-496	-1.7%
Reimbursable Fund	8,063		8,063	7,377	-686	-8.5%
Total	\$1,249,872	\$9,066	\$1,258,939	\$1,277,655	\$18,716	1.5%
Pay-as-you-go (PAYGO) Program						
Office of the Secretary – PAYGO	\$0	\$2,100	\$2,100	\$7,900	\$5,800	276.2%
Funds						
Federal	\$0	\$2,100	\$2,100	\$7,900	\$5,800	276.2%

Source: Department of Public Safety and Correctional Services, Governor's Budget Books, Fiscal 2013

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The most significant increases occur in the Office of the Secretary and the Maryland Parole Commission (MPC). The growth is primarily attributable to cost allocations set by the Department of Budget and Management (DBM) and the addition of 10 new positions for MPC to assist with an increase in the workload associated with paroling more inmates. The overall general fund appropriation is relatively level funded in fiscal 2013, growing by only 1.1%, or \$11.5 million. This growth still accounts for the majority of the \$18.7 million total increase for the department.

The fiscal 2013 allowance also includes \$7.9 million in federal PAYGO funding to support the construction of DRCF. This appropriation completes the obligation of the U.S. Marshal to provide a total of \$20.0 million in federal funding toward the construction of a new State facility, in exchange for operating MCAC in Baltimore City as a federal detention center. DRCF is a design/build project being completed in two phases. Phase I consists of the complete construction of the first 560-bed compound and the grading/earthwork for the second 560-bed compound. Each compound will have two 2-story, 280 beds each, dormitory style housing units, a support services building, a strip search room, recreation yard, parking lot, perimeter security system with sally port, utilities, and lighting. Design of Phase I will be complete by January 2012, and construction is approximately 8% complete, consisting mostly of site work and utilities relocation. The construction contract was approved by the Board of Public Works (BPW) on January 11, 2012. The PAYGO funding included in the fiscal 2013 allowance is for the construction of Phase II. The project is estimated to be complete by May 2013.

Exhibit 9 provides additional detail on how the department's operating expenses in the fiscal 2013 allowance increases by \$27.8 million, absent the fiscal 2012 deficiency appropriations. Personnel expenses increase by approximately \$14.5 million in fiscal 2013, accounting for 52.1% of total budget growth. The majority of the growth is attributable to increases for health insurance and retirement. Overtime funding also increases by nearly \$4.2 million, when compared with the fiscal 2012 working appropriation.

Exhibit 10 shows DPSCS employee overtime spending from fiscal 2009 through the 2013 allowance. By increasing oversight of the use of special assignment posts, the department had been able to significantly reduce its overtime spending, from \$42.7 million in fiscal 2009 to \$30.8 million in fiscal 2010. Since fiscal 2010, however, the department has been unable to maintain that reduced level of spending. Fiscal 2011 overtime spending increased by approximately \$4.3 million, and there is an \$8.0 million deficiency appropriation needed to fund overtime in fiscal 2012. The fiscal 2012 deficiency appropriation increases overtime funding for the department to \$38.5 million. Based on year-to-date fiscal 2012 expenditures, however, employee overtime expenses are projected to total approximately \$44.5 million. This would suggest that even with the deficiency appropriation, fiscal 2012 overtime is still underfunded by up to \$6.0 million. Accounting for the deficiency appropriation, the fiscal 2013 allowance, budgeted at \$34.7 million, is \$3.8 million below fiscal 2012 and likely underfunded by \$10.0 million. According to the department, the increase in overtime spending is largely being driven by rises in relief factor components, such as the use of sick leave, administrative leave, Family Medical Leave Act, and training. The increased use of leave reduces the total number of days employees are available for work, which in turn increases the need for overtime

Exhibit 9
Department of Public Safety and Correctional Services Overview
Proposed Budget
Fiscal 2013
(\$ in Thousands)

Where It Goes:

Personnel Expenses

New positions	\$859
Abolished/transferred positions	-1,158
Increments and other compensation	-3,738
Employee overtime	4,154
Employee and retiree health insurance	11,577
Employee retirement system.....	10,186
Workers' compensation premium assessment	1,572
Turnover adjustments	-81
Elimination of one-time fiscal 2012 employee bonus	-8,525
Other fringe benefit adjustments.....	-380
Increase in contractual full-time equivalent positions	666

Cost Allocations

Statewide personnel system allocation	5,205
Department of Information Technology services allocation.....	1,428
Retirement administrative fee	1,397
Department of Budget and Management paid telecommunications	997
Office of the Attorney General administrative fee	40

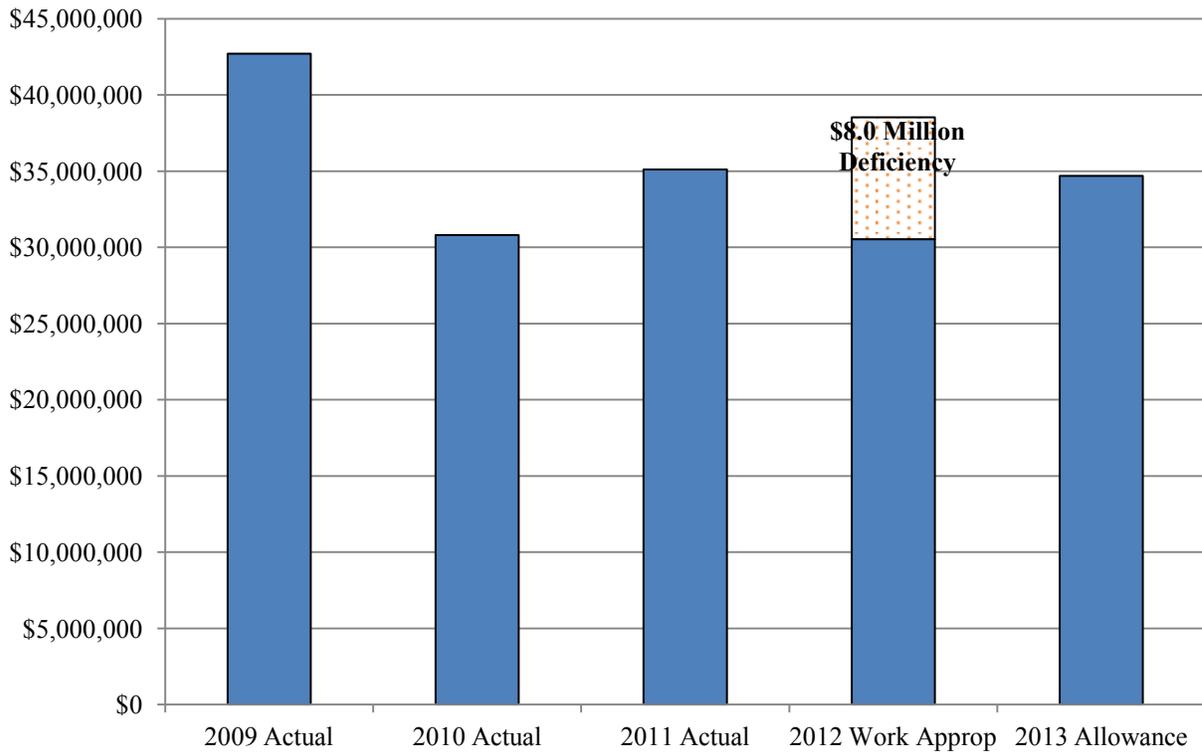
Other Changes

Maryland Correctional Enterprises supply and materials purchases	7,301
Critical facility maintenance projects	1,215
Planned facility closure resulting from an increase in the number of paroled offenders.....	-1,793
Elimination of Volunteers of America contract for pre-trial detention housing.....	-1,281
Elimination of temporary office assistance funding	-965
Awards made to victims of crime	-425
Fuel and utilities	-425
Local jail payments.....	-350
Inmate medical expenses	-137
Other	444

Total	\$27,783
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Source: Department of Legislative Services

Exhibit 10
Department of Public Safety and Correctional Services
Employee Overtime
Fiscal 2009-2013 Allowance



Source: Department of Public Safety and Correctional Services

to provide proper post coverage. **DPSCS should discuss the current drivers of employee overtime and what is being done to control its use. The department should also comment on the sufficiency of the fiscal 2012 appropriation and fiscal 2013 allowance in adequately covering overtime expenses.**

The allowance includes approximately \$859,000 in additional funding to support 21 new regular positions, 10 positions for MPC and 11 positions for Maryland Correctional Enterprises (MCE) within DOC. This growth is offset by a \$1.2 million reduction associated with the abolition of 23 regular positions taken from various agencies within the department due to cost containment. The elimination of the one-time \$750 employee bonus reduces the allowance by \$8.5 million and the overall turnover expectancy for the department is essentially level funded.

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In addition to an increase in funding for regular positions, the department also receives \$666,000 in additional funding for 59 new contractual full-time equivalents (FTE). These additional FTEs are offset by a \$965,000 reduction in contracts for temporary office assistance. DPSCS believes that the use of contractual FTEs will more effectively address workload demand than temporary clerical assistance.

Increases for various cost allocations set by DBM account for 32.6% of the department's \$27.8 million growth in fiscal 2013. Overall funding for the statewide personnel system increased significantly in fiscal 2013, by \$5.2 million. DPSCS will be one of the agencies to utilize the full functionality of the system and, therefore, has a significant share of the total project cost. Administrative fees and service allocations for the Office of the Attorney General (OAG), retirement, and Department of Information Technology (DoIT) are newly budgeted for fiscal 2013, increasing the allowance by nearly \$2.9 million. The OAG administrative fee is allocated based on the departments' OAG staff as a percentage of total OAG staff. The retirement fee is allocated based on the department's total FTE as a percentage of total State FTEs. The DoIT allocation reflects funding based on estimated usage for Geographical Information Systems and the shift to cloud technology, *i.e.*, the implementation of Google mail and collaboration. The DPSCS allowance funds 20.0% of the total DoIT allocation for these services.

Aside from personnel and statewide cost allocations, funding increases in the fiscal 2013 allowance provide an additional \$7.3 million for MCE and \$1.2 million for critical facility maintenance. The critical maintenance funding is for facilities across the State and will address various problems with fire alarm and suppression systems, perimeter lights, roofs, showers, segregation cages, *etc.* The additional funding for MCE is for supply and materials purchases, based on anticipated demand for goods and services. After a decline in sales during fiscal 2010, MCE again experienced growth in fiscal 2011 and is expecting that growth to continue. MCE is opening a new upholstery plant at North Branch Correctional Institution (NBCI) and is expanding operations in the following plants: furniture restoration and manufacturing, uniform, sign, and graphics shops.

The most significant programmatic decrease in the fiscal 2013 allowance is the nearly \$1.8 million associated with the planned closure of one facility during fiscal 2013. The fiscal 2013 allowance for the Southern Maryland Pre-release Unit (SMPRU) is reduced by \$1.8 million, which is the estimated variable cost savings generated from releasing an additional 1,200 inmates over the course of the fiscal year. DPSCS is implementing a plan that will have MPC review parole cases for inmates prior to their parole eligibility date (PED) and dictate what conditions in the case plan must be met for the offender to obtain release by the PED. If the conditions are not met by the PED, at the parole hearing, MPC can dictate what the offender can do to obtain release within 12 months after PED, but before the mandatory release date. DPSCS conducted an analysis of recent releases which indicated that a majority of offenders were being released an average of 19 months after the PED. In addition, prior policy was that if an inmate was denied parole by MPC at the parole hearing, the inmate could not be reconsidered for parole and must wait until the mandatory release date. DPSCS believes that increased coordination and compliance with case management plans will reduce the average length of stay after PED by 50%.

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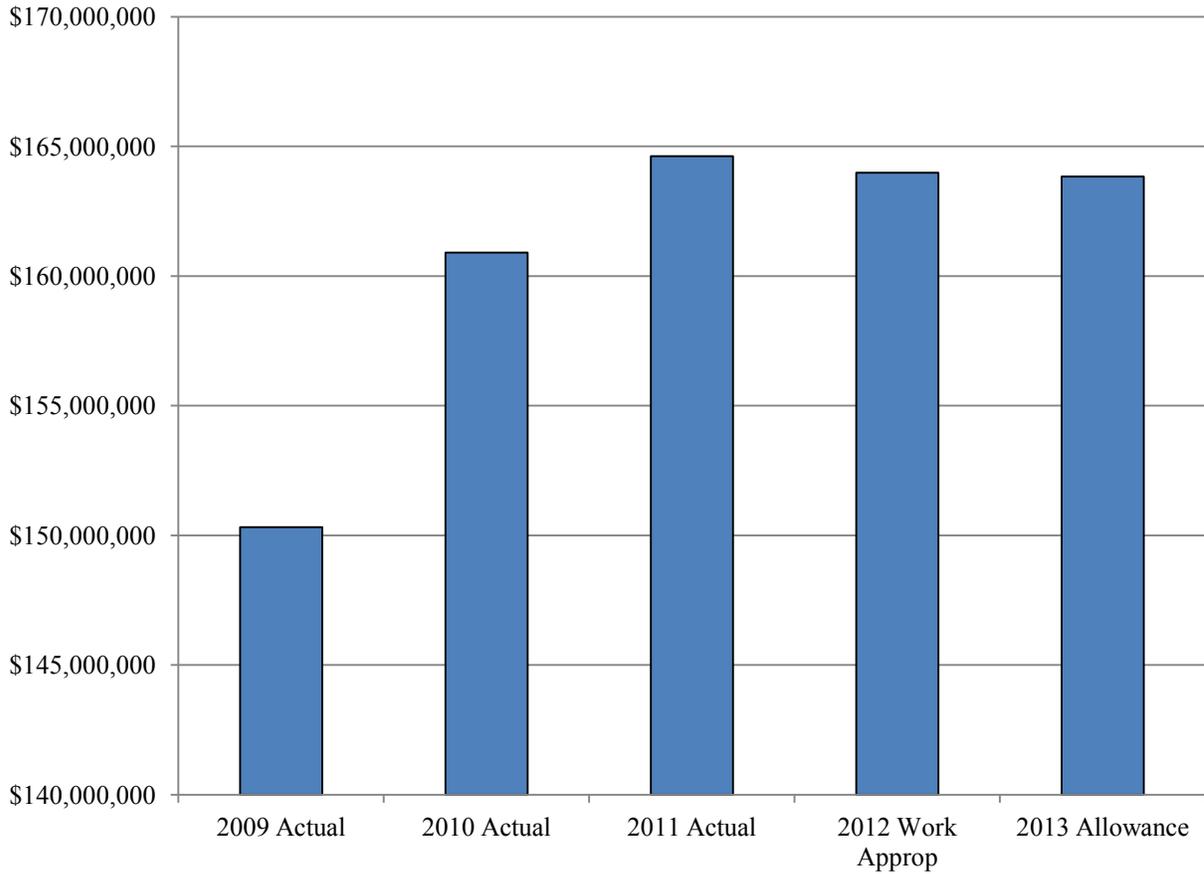
Inmates will be paroled from all facilities across the State. As a net population reduction is realized across the department, posts will be collapsed at SMPRU and the inmate population will be consolidated, with the goal of closing one or more correctional facilities. According to DPSCS, the displaced staff will be used to reduce overtime and address staffing shortfalls at other facilities. DPSCS is anticipating that the plan will generate additional savings in fiscal 2014, as more inmates are paroled and correctional staff can be redeployed to address overtime issues. **The department should comment on its plan to improve compliance with case management plans and increase the number of paroled inmates. The discussion should identify similar programs in other states and include an explanation of how the department will achieve the improved compliance and why it was not being done in prior years. The department should also provide a list of the offenses excluding inmates from participating in the program.**

The Department of Legislative Services (DLS) recommends committee narrative requesting that the department provide a report on the effectiveness of the new parole plan, including how many additional offenders were paroled by their PED, how many were paroled within 12 months after the PED, how many were targeted for release under the new plan but were unable to achieve compliance, and how many released under the plan had their parole revoked within 12 months of release. The report should also provide the actual savings achieved from paroling the offenders.

Funding for awards made by the Criminal Injuries Compensation Board to victims of crime is reduced by \$425,000, as the agency has exhausted the fund balance accrued in prior years and must spend within the actual amount of revenue generated annually via court fees. The department also eliminated contractual pre-trial housing with the Volunteers of America for offenders under the jurisdiction of DPDS. The contract was ended during fiscal 2012, and the \$1.3 million reduction in fiscal 2013 reflects the annualized savings.

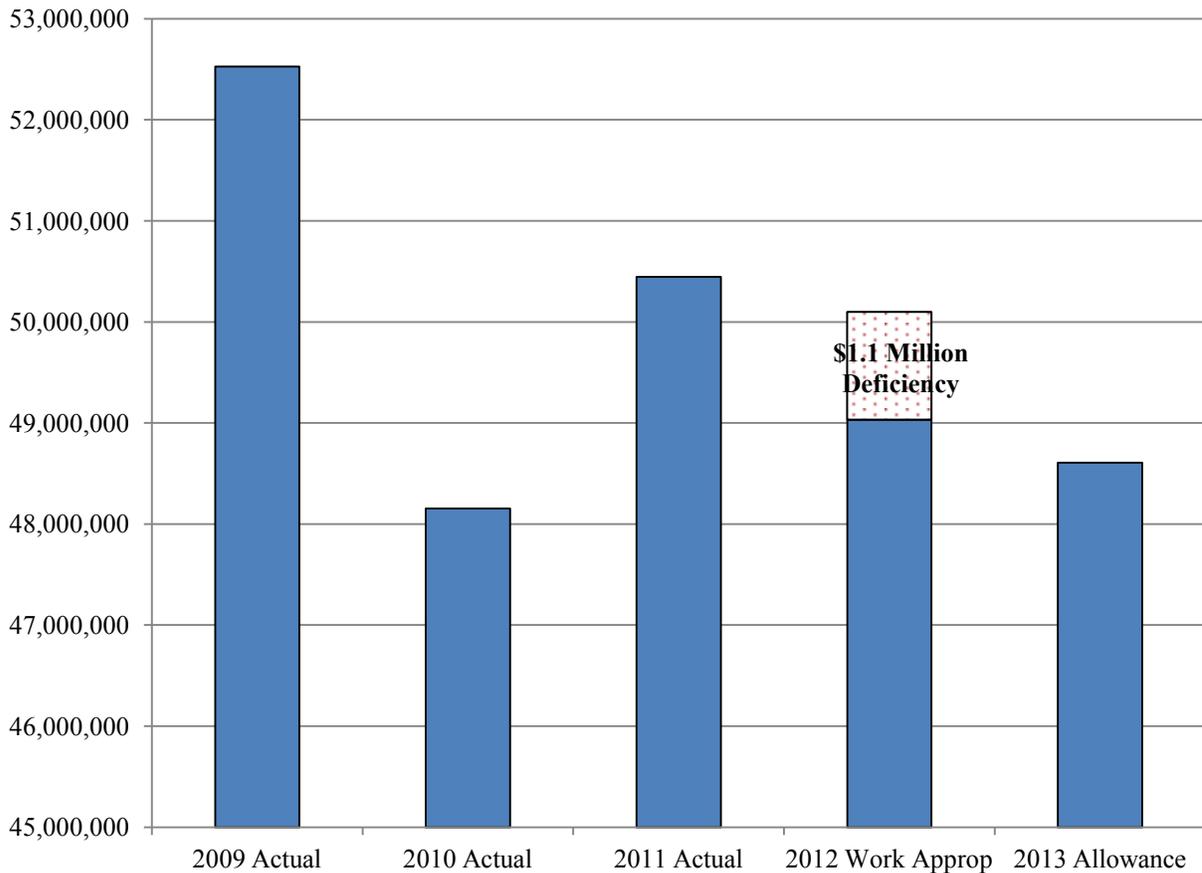
The allowance also includes a variety of reductions for fuel and utility expenses, inmate medical funding, and local jail payments. The reduction in local jail payments is consistent with the overall decreases in local jail populations and an increased effort to provide parole to locally sentenced offenders. **Exhibits 11 and 12** show funding for inmate medical and fuel and utility expenses since fiscal 2009. Inmate medical expenses are level funded at slightly less than \$164.0 million for the third fiscal year. This is primarily due to the fact that new medical contracts have yet to be awarded for all facets of inmate healthcare, except dental. The department has continuously sought six-month contract extensions via BPW as the procurement process continues. As a result, there have been no changes in service delivery and little fluctuation in the funding. The fiscal 2013 allowance for fuel and utility expenses, however, includes a nearly \$1.1 million deficiency appropriation for fiscal 2012. This increases the fiscal 2012 appropriation to \$50.1 million, consistent with fiscal 2011 actual expenditures. The fiscal 2013 allowance, however, is approximately \$425,000 below the fiscal 2012 working appropriation. Once the deficiency is accounted for, fuel and utility expenditures in fiscal 2013 appear to be underfunded by approximately \$1.5 million. **DPSCS should comment on what is being done to control fuel and utility expenses within the facilities.**

Exhibit 11
Department of Public Safety and Correctional Services
Inmate Medical Expenses
Fiscal 2009-2013 Allowance



Source: Department of Public Safety and Correctional Services

Exhibit 12
Department of Public Safety and Correctional Services
Fuel and Utility Expenses
Fiscal 2009-2013 Allowance



Source: Department of Public Safety and Correctional Services

Staffing Overview

Exhibit 13 shows the net impact of position changes in fiscal 2012 and 2013 on both the regular and contractual position complement by agency. As a whole, DPSCS lost 115 vacant regular positions between the fiscal 2012 legislative and working appropriations and loses a net of 2 additional positions in fiscal 2013. The department’s contractual FTE complement increases in fiscal 2013 by 59 FTEs, or 17.0%. This increase is largely the result of a shift to utilizing contractual employment in place of temporary office assistance to accommodate agency workloads.

Exhibit 13
Department of Public Safety and Correctional Services Overview
Fiscal 2012-2013

Regular Positions by Program

	<u>Leg.</u> <u>Approp.</u> <u>2012</u>	<u>Wrkg</u> <u>Approp.</u> <u>2012</u>	<u>Change</u> <u>Leg. –</u> <u>Wrkg</u>	<u>Allowance</u> <u>2013</u>	<u>#</u> <u>Change</u> <u>2012-13</u>	<u>%</u> <u>Change</u> <u>2012-13</u>
<u>Operating Programs</u>						
Office of the Secretary	500	487	-13	486	-1	-0.2%
Division of Correction	7,205	7,261	56	7,263	2	0.0%
Parole Commission	68	66	-2	76	10	15.2%
Division of Parole and Probation	1,277	1,250	-27	1,239	-11	-0.9%
Patuxent Institution	468	462	-6	462	0	0.0%
Inmate Grievance Office	7	7	0	7	0	0.0%
Police/Correctional Training Comms.	80	76	-4	76	0	0.0%
Criminal Injuries Compensation Board	13	12	-1	12	0	0.0%
Maryland Commission on Correctional Standards	6	4	-2	4	0	0.0%
Division of Pretrial Detention and Services	1,545	1,429	-116	1,427	-2	-0.1%
Total	11,168	11,053	-115	11,051	-2	0.0%

Contractual Positions by Program

<u>Operating Programs</u>						
Office of the Secretary	101	94	-7	108	13	14.1%
Division of Correction	61	63	2	77	13	21.3%
Parole Commission	2	3	1	4	1	29.0%
Division of Parole and Probation	110	111	1	131	20	18.0%
Patuxent Institution	1	1	0	3	2	155.2%
Inmate Grievance Office	1	1	0	1	0	0.0%
Police/Correctional Training Commissions	29	27	-2	27	0	0.9%
Criminal Injuries Compensation Board	7	7	0	7	0	0.0%
Maryland Commission on Correctional Standards	2	4	2	4	0	0.0%
Division of Pretrial Detention and Services	35	35	0	44	9	26.5%
Total	348	345	-3	404	59	17.0%

Source: Department of Public Safety and Correctional Services; Governor's Budget Books, Fiscal 2013

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Exhibit 14 provides more detail on the changes to the department’s regular position complement. DPSCS lost 116 positions between the fiscal 2012 legislative and working appropriations due to the statewide 450 position abolition as dictated by Section 47 of the fiscal 2012 budget bill. In addition, the department created a Central Transportation Unit, consolidating the transportation activities of DOC, Patuxent Institution, and DPDS. The majority of positions were transferred from DPDS to DOC.

**Exhibit 14
Department of Public Safety and Correctional Services Overview**

Fiscal 2012 Regular Position Changes by Program

<u>Operating Programs</u>	<u>Leg. Approp. 2012</u>	<u>Section 47 "450" Cut</u>	<u>Agency Transfers</u>	<u>Wrkg Approp. 2012</u>	<u>Change Leg. – Wrkg</u>
Office of the Secretary	500	-18	5	487	-13
Division of Correction	7,205	-49	105	7,261	56
Parole Commission	68	-5	3	66	-2
Division of Parole and Probation	1,277	-24	-3	1,250	-27
Patuxent Institution	468	-4	-2	462	-6
Inmate Grievance Office	7	0	0	7	0
Police/Correctional Training Comms.	80	-4	0	76	-4
Criminal Injuries Compensation Board	13	-1	0	12	-1
MD Commission on Correctional Standards	6	-2	0	4	-2
Division of Pretrial Detention and Services	1,545	-9	-107	1,429	-116
Total	11,168	-116	1	11,053	-115

Fiscal 2012-2013 Regular Position Changes by Program

	<u>Wrkg. Approp. 2012</u>	<u>Abolitions</u>	<u>New</u>	<u>Budget Transfers</u>	<u>Allowance 2013</u>	<u>Change 2012-13</u>
Office of the Secretary	487	-1	0	0	486	-1
Division of Correction	7,261	-9	11	0	7,263	2
Parole Commission	66	0	10	0	76	10
Division of Parole and Probation	1,250	-8	0	-3	1,239	-11
Patuxent Institution	462	0	0	0	462	0
Inmate Grievance Office	7	0	0	0	7	0
Police/Correctional Training Comms.	76	0	0	0	76	0
Criminal Injuries Compensation Board	12	0	0	0	12	0
MD Commission on Correctional Standards	4	0	0	0	4	0
Division of Pretrial Detention and Services	1,429	-2	0	0	1,427	-2
Total	11,053	-20	21	-3	11,051	-2

Source: Department of Public Safety and Correctional Services; Governor’s Budget Books, Fiscal 2013

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In fiscal 2013, the department loses a total of 20 positions due to cost containment. An additional 3 positions are transferred from DPP to the Central Collection Unit (CCU) in DBM. Legislation is proposed for the 2012 session that would shift responsibility for fee collections from DPP to CCU. The transferred positions are associated with that proposal. The 21 new positions included in the fiscal 2013 allowance offset the abolished and transferred positions, resulting in a net impact of a loss of 2 positions for the department. Ten of the new positions are for MPC, associated with the plan to increase the number of paroled inmates. The allowance includes 4 new hearing officers and 6 additional secretaries to accommodate the additional 100 inmates paroled each month. The other 11 new positions included in the allowance are MCE positions and, therefore, special funded positions. MCE is opening a new upholstery plant at NBCI and is expanding operations in the following plants: furniture restoration and manufacturing, uniform, sign, and graphics shops. The allowance includes 7 MCE officer positions and 1 plant manager position to expand the number of employed inmates and plant operations. The remaining 3 positions are administrative, to assist with policy development, information technology management, and marketing.

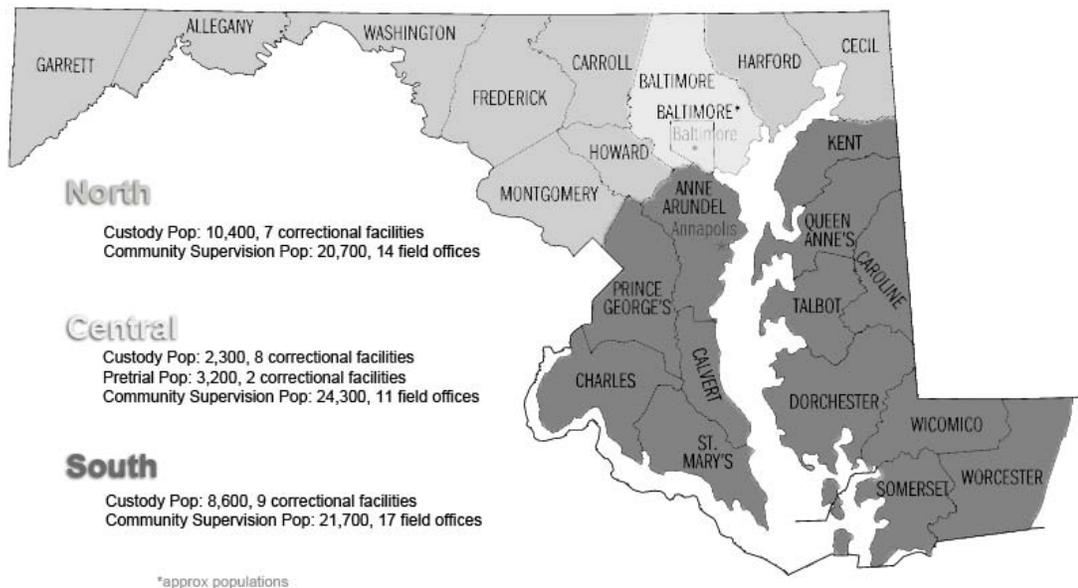
Issues

1. Departmental Reorganization

DPSCS is undergoing a major reorganization over the course of the next 6 to 12 months. The department announced the reorganization at the end of calendar 2011. The reorganization is expected to be complete by the end of September 2012. Legislation will be introduced during the 2012 session granting the newly created deputy secretary of Operations, in addition to the Secretary, the authority to exercise any power, duty, responsibility, or function of any unit, unit head, or appointing officer in the department.

The focus of the reorganization is on successful offender re-entry and lower recidivism, achieved by eliminating DOC, DPDS, and DPP and integrating these functions into three regions across the State, as seen in **Exhibit 15**. The North Region will include corrections and community supervision functions in Garrett, Allegany, Washington, Frederick, Carroll, Howard, Montgomery, Harford, and Cecil counties. The Central Region will include corrections, community supervision, and detention functions in Baltimore City and Baltimore County. The Southern Region will include corrections and community supervision functions in Anne Arundel, Prince George’s, Calvert, Charles, St. Mary’s, Kent, Queen Anne’s, Caroline, Talbot, Dorchester, Wicomico, Somerset, and Worcester counties.

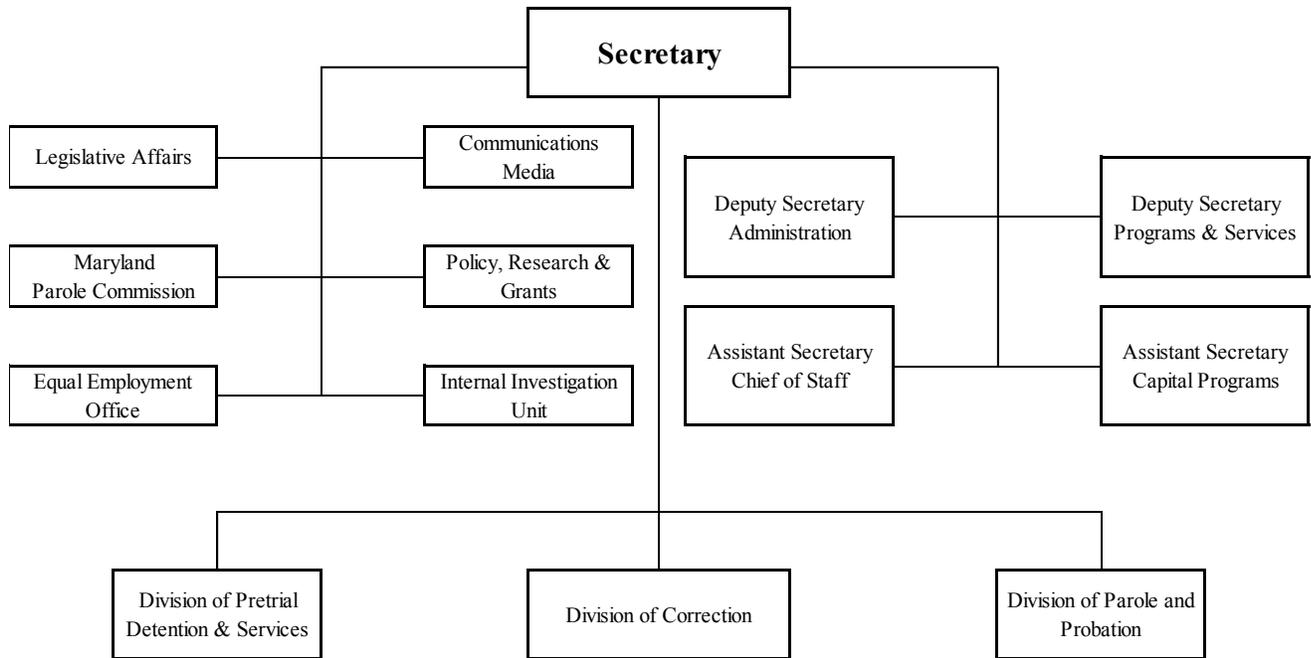
Exhibit 15
Department of Public Safety and Correctional Services
Regional Map for Reorganization



Source: Department of Public Safety and Correctional Services

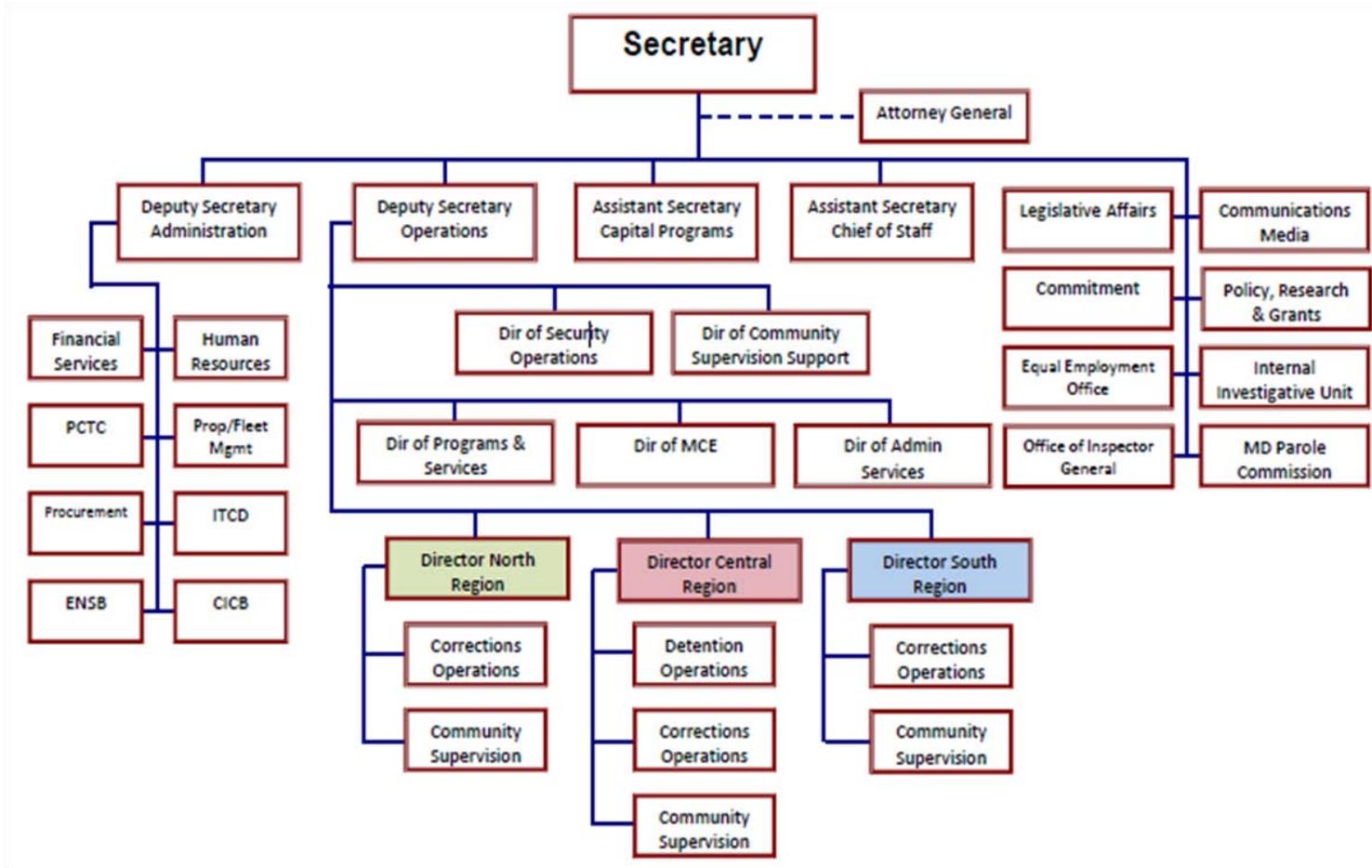
Exhibits 16 and **17** provide a comparison of the current and proposed management and reporting structures for the department.

Exhibit 16
Department of Public Safety and Correctional Services
Organizational Structure – Current



Source: Department of Public Safety and Correctional Services

**Exhibit 17
Department of Public Safety and Correctional Services
Organizational Structure – New**



CICB: Criminal Injuries Compensation Board
 ENSB: Emergency Number Systems Board
 ITCD: Information Technology and Communication Division

MCE: Maryland Correctional Enterprises
 PCTC: Police and Correctional Training Commissions

Source: Department of Public Safety and Correctional Services

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According to the department, the current structure created rigid and inflexible divisions and redundant efforts between agencies. For example, the DPSCS Secretary may communicate a policy to the heads of all three agencies, but each agency leader would implement the policy differently in order to meet their respective division's mission, without any coordination among the divisions. Each agency would be operating its own set of the same programs, such as substance abuse treatment services, or conducting its own version of the same assessments. In addition, providing inmates with adequate access and exposure to community providers and parole and probation agents prior to release from prison has been an ongoing problem for years.

The department's proposed solution to these problems is to eliminate the separate divisions for detention, corrections, and community supervision and place all functional responsibilities under the oversight of three regional directors, who in turn would report to the newly created deputy secretary of Operations. Pre-trial detention functions will only occur within the Central Region, where the Central Booking and Intake Center and Baltimore City Detention Center are located. With the new Offender Case Management System – due to come online in June 2012 – DPSCS believes the regional approach will better streamline the offender's flow through the department, increasing the efficiency of service delivery. The oversight of the deputy secretary of Operations will allow for creation of singular departmental policies, instead of separate rules, procedures, and programs for each division.

Operationally, DPSCS will try to keep offenders within the region from which they originate, unless need dictates they be housed at a facility elsewhere in the State. For example, the regional approach will not prohibit an offender from being relocated as a mechanism for addressing disruptive behavior. Likewise, if an offender from the Baltimore Region is identified as needing substance abuse treatment services in a Therapeutic Community, but the only treatment slot available is in the Western Region, the offender will be eligible for relocation to participate in the treatment. The department will make an effort, however, to move that offender back to his/her region prior to release into the community. This will obviously not work in all cases. Approximately 54.5% of fiscal 2011 DOC intakes originated from Baltimore City. Obviously, 54% of the inmate population cannot currently be housed and receive services in the Baltimore Region. Some inmates will be placed in other regions. Additionally, all female offenders will be located in the Southern Region, as the State only has one female correctional facility.

With the new organizational structure, the director of each region will be responsible for reviewing both case management (corrections) and agent (community supervision) interactions, to ensure that policies are being carried out effectively and offender management is being coordinated. In addition, the deputy secretary of Operations will have two audit divisions and the Office of the Inspector General and the Maryland Commission for Correctional Standards will report directly to the DPSCS Secretary. Under the reorganization, these units will be tasked with including programmatic review in their audits.

DPSCS believes the structure will integrate all operations across the department, improving the match between offender needs and programmatic resources. The department also suggests that, although job responsibilities for field staff will not change, these employees will be able to develop a better understanding of and gain exposure to the complete correctional and supervision processes. By

the department's estimations, the reorganization will essentially be cost neutral. A total of 23 positions will have an expansion of duties as a result of the reorganization and will need to be reclassified. All of these positions are at the management level. Nine of the 23 proposed reclassifications do not require any change to the grade or step. According to the department, the entire cost of the reclassifications is approximately \$38,000. DPSCS has identified 1 vacant position in DPP to abolish, offsetting the cost of the reclassifications.

The department also suggests that the reorganization will create operational efficiencies, which will free current resources and improve utilization. As such, DPSCS is not requesting additional resources to support the programs and services that will be required for effective re-entry and a successful reduction in recidivism. In fact, the department is still evaluating its programming needs and resources to determine whether changes are necessary to what is offered, how they are offered, and to whom. One concern is that in the long-term, as the programming needs are identified and a plan is developed, resource demand will increase and programming will need to be expanded in order to be effective.

DPSCS should be prepared to discuss its proposed reorganization, including its evaluation of programming needs and services. The department should comment on how the new structure will improve connections with community organizations and service providers and improve communication and operational efficiencies among the functions.

DLS recommends committee narrative requesting that the department submit its evaluation of programming needs and services and any changes resulting from the reorganization.

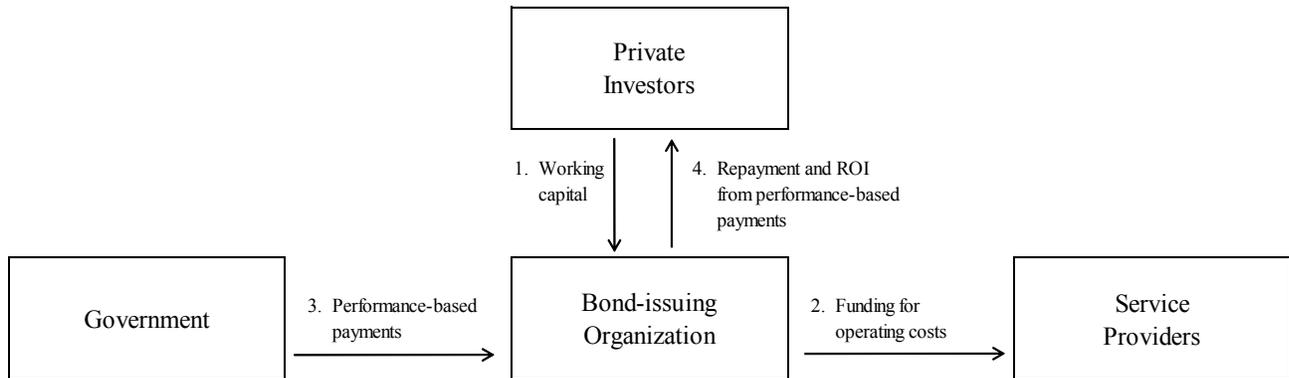
2. Social Impact Bonds

What It Is and How It Works

Improving offender re-entry into the community and reducing recidivism rates is a key part of the department's mission, especially as it moves forward with its reorganization plan. Social Impact Bonds (SIB), or Pay for Success Contracts, are a relatively new financing tool designed to help improve social outcomes and encourage innovation in addressing social problems, such as recidivism. **Exhibit 18** demonstrates how SIBs work.

The model involves a social impact bond issuing entity raising funding from private investors (typically foundations and philanthropically inclined individuals) and using the funds to pay for programs to achieve specific social outcomes. If the programs succeed in reaching the targets identified in the contract, and social outcomes improve, government pays back the investors at a specified rate of return. This is often the initial investment plus specified interest, or in some cases, it can also be a portion of the cost savings generated from the success of the program. If the programs are not successful in meeting the measures, government pays nothing. SIBs are not "typical" bonds since investors take on all the risk and the government only pays for programs that work.

Exhibit 18
Social Impact Bonds
How It Works



Source: Jeffrey Liebman, Harvard Kennedy School

Unlike conventional government social programs which tend to be prescriptive – governments contracting for specific services to be provided – in the SIB model, government defines the desired outcome(s) and the SIB issuer is responsible for selecting the programs or services that will be used to achieve the desired result(s). Because payment is dependent on achieving specific outcomes, SIB issuers have a vested interest in constantly evaluating the effectiveness of the programs and services being utilized and making adjustments as necessary to improve performance. The SIB model grants investors and service providers the independence to design, implement, and manage the program execution. This encourages innovation in developing programs and services and can accelerate the process for identifying what works for achieving the desired outcome.

Components for a Successful Program

While additional funding to address social problems is attractive, SIBs are not a viable funding mechanism in many instances. As noted in a report by the Center for American Progress, successful SIB funded programs must have the following features:

- interventions must have sufficiently high net benefits – since some programs are likely to fail, successful programs must have a rate of return high enough to allow investors to earn their required rates of return;
- interventions must have measurable outcomes – performance-based payments by definition must have measurable outcomes;

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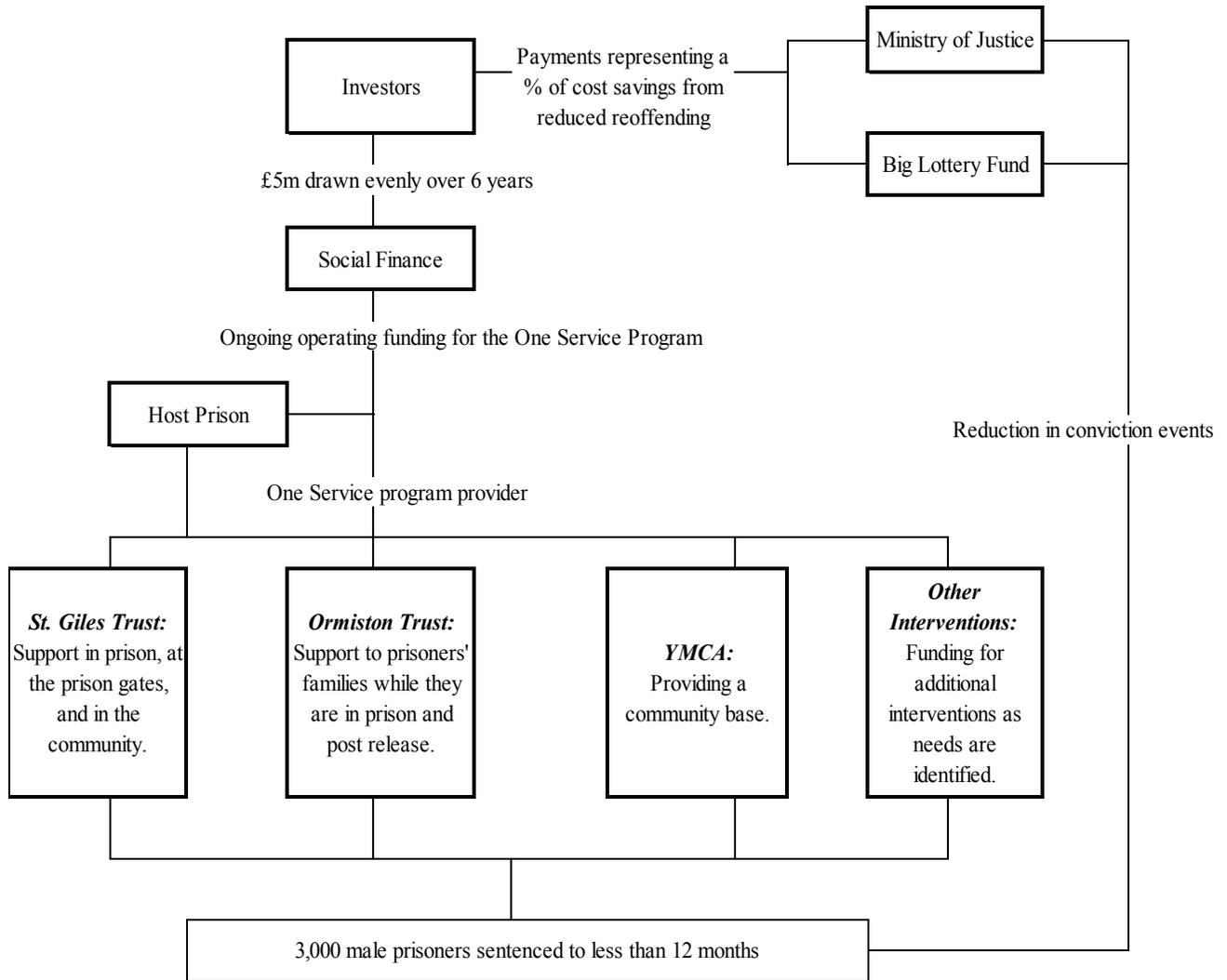
- treatment populations must be well-defined up front – program evaluation and properly constructing a performance-based contract require a treatment population that is clearly defined in a way that cannot be manipulated by the service providers;
- impact assessments must be credible – program evaluation must be structured to ensure a way of assessing what the outcomes would have been in the absence of the program; and
- unsuccessful performance must not result in excessive harm – since bondholders could have an incentive to shut down operations if it appears performance targets will not be met, it is imperative that SIB contracts anticipate program failure and provide for managing such situations.

Peterborough Prison Pilot Project

SIBs originated in the United Kingdom where, after two years of development, in September 2010 the Ministry of Justice implemented the first SIB-funded pilot program aimed at reducing one-year recidivism rates among short-term incarcerated offenders. The current one-year recidivism rate for short-term offenders in Britain is approximately 60.0%. **Exhibit 19** shows how the pilot project works. The British government contracted with Social Finance, a social investment firm, who raised approximately 5.0 million pounds (\$8.0 million) from private investors, *i.e.*, mostly charitable trusts and foundations, to fund programs and services over a six-year period with the goal of reducing recidivism within the pilot population by 7.5%. Services offered through the program will be provided by three private providers to 3,000 prisoners, the entire prison population at the Peterborough Prison. Services will be provided while offenders are incarcerated, upon release from the prison facility, and after re-entry into the community. In addition, pre- and post-release services will also be provided to the offender's families. Additional services will be added or modified as they are identified, based on the offender's needs.

The reduction in the recidivism rate will be calculated based on the success of all prisoners released from the facility, regardless of whether the offender participates in the program. Control groups were established at 30 other similar prisons to help accurately estimate successful reductions in recidivism. If Social Finance achieves at least a 7.5% decrease in re-offending compared to a control group of short-sentence prison leavers, it will receive a return. Drops in re-offending beyond 7.5% will result in an increasing rate of return up to a maximum of 13.0% per year over an eight-year period. The first pay-out to the bond investors would occur in June 2013. The pre-established provision that participation is not compulsory but all offenders at the pilot site are included in calculating the outcome measure, coupled with the pre-determined increases in the return on investment as recidivism is reduced eliminates the opportunity and incentive for a creaming of the population, or targeting the offenders most likely to succeed in the hopes of guaranteeing a return on the investment.

**Exhibit 19
Peterborough Prison Social Impact Bond Pilot Project**



YMCA: Young Men’s Christian Association

Source: Jeffrey Liebman, Harvard Kennedy School; Department of Legislative Services

Developments in the United States

Interest in SIBs in the United States has been increasing. The President included \$100 million in the federal fiscal 2012 budget for pilot projects utilizing the SIB model. Social Finance has established a U.S.-based nonprofit of the same name to facilitate development of SIBs, and this new

nonprofit recently announced a two-year commitment to develop and launch \$100 million in SIBs in the United States. In May 2011, Massachusetts issued a request for information (RFI) as the start of a process to develop procurement for social financing services.

Maryland's Public Safety Compact

Maryland, in fact, has already had some exposure to a modified version of the SIB. The Public Safety Compact (PSC) is an initiative to safely restore 250 ex-offenders from Baltimore City to their communities via effective in-prison substance abuse treatment, followed by community-based re-entry services. DPSCS entered into an agreement with the Family League of Baltimore City (FLBC) and the Safe and Sound Campaign in December 2008 to have FLBC and Safe and Sound provide funding for community-based aftercare and re-entry services, including substance abuse treatment provided by Baltimore Substance Abuse Systems, for an estimated 250 male and female offenders who have received a minimum of 12 months of in-prison programming, including cognitive therapy, behavioral services, education, mental health care, vocational training, and drug treatment. Savings are generated by shortening the offenders' time in prison and potentially reducing the recidivism among participants. The calculated savings, net project costs, are identified by DPSCS, verified by DBM, and then 40% is retained by the State, and 60% is returned to FLBC for investments to expand treatment and re-entry services.

The project was implemented in late 2009, with the first inmate released through the program in March 2010. The PSC agreement lasts for five years, which means the end date is December 2013. Offenders are tracked for a minimum of three years to determine the recidivism rate. To date, the project has fallen short of the targeted 250 participants. Only 170 inmates have been released through the program, with 65 inmates completing treatment in the community and 18 inmates having their release revoked. Fiscal 2013 will be the first year of calculated savings, but the data has not yet been verified. The 60% owed to FLBC will likely be included as a deficiency appropriation in the fiscal 2014 budget. When the agreement was developed, the estimated three-year savings, net project costs, for 250 offenders was approximately \$788,000. With only 170 offenders participating and 18 releases revoked after 18 months, it is likely that the actual realized savings will be lower than the estimate.

PSC differs from SIB-funded projects in a few ways. First, there is no clearly defined outcome measure in the agreement between DPSCS and the providers. The goal of the contract is to provide re-entry services to offenders in the hope that they do not recidivate. Also, the PSC agreement does not contain as much flexibility for which and how services are provided as an SIB contract. The process for identifying participating inmates and providing services is clearly defined in the contract, and government entities are involved in the oversight. Also, the agreement has a targeted population of participants, but no control group for comparison. Finally, the PSC agreement exemplifies an inherent problem that exists with SIBs as well. In order for these agreements to truly have an impact for the department and produce actual cost savings, the programs need to generate a significant enough reduction in recidivism to result in a facility closure. Even if the full estimated savings identified in the agreement is realized, a reduction of 250 inmates and \$315,000 is not much of an impact on a 22,000 inmate population and an \$822.7 million budget.

Challenges and Considerations

There are several challenges to implementing SIBs. When the focus is primarily on measurable outcomes, the integrity of the data collected and reported is particularly important. Invested stakeholders must have the ability to track the necessary data and processes need to be in place for analyzing and verifying the outcome metrics. This could require additional resources and/or information technology improvements. In addition, the concept of SIBs goes against the traditional model of government contracts focusing on process and oversight. The SIB construct focuses on outcomes, not process, leaving execution solely to the providers. It is not clear whether legal and legislative changes would be required prior to implementing SIBs in Maryland, and how long the process would be for developing a successful SIB program. Finally, the intermediary organization, or bond issuing entity, plays a key role in coordinating among the government, services providers, and investors. It is not known to what extent these intermediaries exist in Maryland, or how long it would take for these organizations to develop.

By leveraging available private sector funding and shifting the performance risk away from government, SIBs expand the capital available to the social sector and allow governments to more effectively manage limited resources. The proposed programs offered with SIB funding are often services that the government is already intending to provide, but the use of SIBs allows the private sector to absorb the risk while any problems are identified and resolved. For example, from 2004 to 2007, DPSCS implemented the Reentry Enforcement Services Targeting Addiction, Rehabilitation, and Treatment program aimed at improving offender re-entry and reducing recidivism. This program was largely immeasurable and had little impact on the State's recidivism rates. With the proposed new reorganization of the department, DPSCS is again refocusing its mission on re-entry and recidivism reduction. If the department were able to utilize a funding mechanism like SIBs to implement the associated services, it would displace any potential risk if the new re-entry model is unsuccessful.

Given the growing level of interest, it appears evident that SIBs will soon be put to use in addressing a myriad of social problems, including recidivism. At the same time, the use of SIBs to provide typical government programs and services is still largely uncharted territory and will likely require considerable amounts of research and time before it can be successful. Maryland, and DPSCS, is a step ahead, with the Public Safety Compact, but even this reflects a program that requires adjustments in order to be truly effective. **DLS, therefore, recommends that DPSCS develop a request for information in order to begin examining the possibilities of utilizing SIBs to provide programs and services aimed at impacting successful re-entry and lowering recidivism. In addition to the RFI, DPSCS should submit a report to the budget committees discussing the findings of the RFI, any preliminary data from the Peterborough Prison pilot program, any helpful information gathered from the Massachusetts RFI or other states considering SIBs, any impediments to using SIBs, and the results of the Public Safety Compact, including outcomes and estimated savings.**

Recommended Actions

1. Adopt the following narrative:

Parole Release Data: The committees direct the Department of Public Safety and Correctional Services (DPSCS) to provide data resulting from the department’s new plan to increase the number of inmates paroled annually through improved coordination of re-entry programming prior to the offender’s parole eligibility date (PED). The report should include fiscal 2013 data for the number of offenders paroled by their PED, how many were paroled within 12 months after the PED, and how many were targeted for release under the new plan but were unable to achieve compliance. The report should also provide the actual savings achieved from paroling the offenders. The report shall be submitted to the budget committees no later than June 30, 2013.

Information Request	Author	Due Date
Parole Release Data	DPSCS	June 30, 2013

2. Adopt the following narrative:

Evaluation of Programming Needs and Resources: The committees direct the Department of Public Safety and Correctional Services (DPSCS) to submit an evaluation of its current programming needs and available resources. The evaluation should also assess any changes to programs and services resulting from the departmental reorganization and any need for increased resources. In the event that operational efficiencies are realized, the report should identify those efficiencies and estimate the associated cost savings. The report shall be submitted to the budget committees no later than December 15, 2012.

Information Request	Author	Due Date
Evaluation of Programming Needs and Resources	DPSCS	December 15, 2012

3. Adopt the following narrative:

Social Impact Bonds: The committees direct the Department of Public Safety and Correctional Services (DPSCS) to develop a request for information (RFI) in order to begin examining the possibilities of utilizing Social Impact Bonds (SIB) to provide programs and services aimed at impacting successful re-entry and lowering recidivism. In addition to the RFI, DPSCS should submit a report to the budget committees discussing the findings of the RFI, preliminary data from the Peterborough Prison pilot program in the United Kingdom, information gathered from the Massachusetts RFI or other states considering SIBs,

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impediments to using SIBs, and the results of the Public Safety Compact, including outcomes and estimated savings. The report shall be submitted to the budget committees no later than January 1, 2013.

Information Request	Author	Due Date
Social Impact Bonds	DPSCS	January 1, 2013